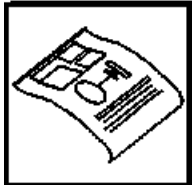


Increase Profits by Offering Greater Value

Builder Guide



DESCRIPTION

An ENERGY STAR labeled home can include a number of energy efficiency features that combine to dramatically improve energy-efficiency in comparison to a standard code home. These extra energy saving features can mean more profit per house by allowing you to sell a more expensive home that costs the same or less per month to own than a standard code home. It costs less because energy savings typically exceed small increases in mortgage payments. In addition, available ENERGY STAR Mortgages can effectively increase home buyer qualifying ratios, and in many cases down payment requirements remain the same or are less despite a higher home cost. Your customers look forward to a more comfortable and valuable home that costs less to own. They can also feel great about the pollution their home will prevent by avoiding emissions from power plants and fuel-fired equipment. You, the home buyer, and the environment all come out ahead with an ENERGY STAR labeled home.



BENEFITS

Offering your customers greater home value -- more home for the same or even less monthly cash-flow -- is an opportunity to increase your profits. Depending on their preferences and circumstances, home buyers who purchase an ENERGY STAR labeled home can realize a positive net monthly cash flow, qualify for a more attractive mortgage, and/or purchase additional amenities. Your profit per home increases by selling an upgraded home that increases sales volume.

☐ Offer greater value and increase customer satisfaction.

As you build and sell more energy efficient and comfortable ENERGY STAR labeled homes, you can expect to see an increase in referrals, a reduction in callbacks, and a growing number of satisfied customers. Satisfied customers are typically the foundation of successful businesses.

☐ ENERGY STAR labeled homes offer the opportunity for greater value at less cost.

Installing extra energy features results in a lower net monthly cash-flow for the home owner, because monthly energy savings typically exceed small incremental monthly mortgage costs for the energy upgrade. Scenario 1 in the table on the next page illustrates how this positive monthly cash flow can benefit both the home buyer and the home builder. Moreover, tested and dependable energy-efficiency technologies combined with positive monthly cash flow improves the investment potential of the home. With optional energy bill warranties and better performance, the energy-efficiency technologies in an ENERGY STAR labeled home are positioned to hold their value over time. In addition, the monthly savings invested systematically can amount to tens of thousands of dollars over the life of a mortgage.

☐ ENERGY STAR labeled home buyers qualify for a more attractive mortgage.

ENERGY STAR Mortgages and Energy Efficient Mortgages are increasingly available that require no extra qualifying income for the extra cost of the energy features. ENERGY STAR Mortgages offer favorable terms that can only be applied to an ENERGY STAR labeled home. Favorable terms may include closing cost or interest rate discounts, fee waivers, or energy rating allowances. This can allow ENERGY STAR labeled homes to sell for the same -- or less -- down payment while offering lower monthly cost for mortgage and utility bills.

☐ **ENERGY STAR labeled home buyers can afford other amenities.**

The energy savings from an ENERGY STAR labeled home can be brought forward to help pay for other upgrades (e.g., premium cabinets or an entertainment center) at no extra monthly cost. Scenario 2 in the table below, illustrates how this can benefit both the home buyer and the home builder. The net positive monthly cash-flow generated by energy savings is available for re-investment in the home. For instance, the upgraded cabinets that a home buyer wants cost \$3,500 -- or add \$25 dollars a month to the mortgage payment. With the ENERGY STAR labeled homes upgrade, however, the home buyer has a positive cash flow of \$25 per month compared to a standard home. Thus, the home buyer could have the upgrades (at a monthly cost of \$25) and still have the same monthly payment as a standard home without the upgrades. **With or without the upgrades, your profits can increase with every ENERGY STAR labeled home you sell because you sell more features.**



RESOURCES

- ☐ For more information on the ENERGY STAR labeled homes program, call 1-888-STAR-YES; or access the ENERGY STAR labeled homes web page on the Internet at: <http://www.energystar.gov/homes>.
- ☐ "Beyond Energy Efficient Mortgages: How Innovative Financing Mechanisms Help Both Builders and the Environment," Jonathan M. Norling. Energy Efficient Builders Association, Conference Proceedings, 1994.
- ☐ "Making Energy Efficient Mortgages Work," Jay A. Luboff. Home Energy, May/June, 1995.
- ☐ "Housing Affordability, Part 2: Stretch Mortgage Dollars With Energy Efficiency," Consumers Research, March 1993.
- ☐ "Energy Efficiency Financing," The Alliance To Save Energy, May 1996. 202/857-0666.

ENERGY STAR Labeled Homes for More Affordability and Profits

